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COMMODORE 1983 ANNUAL REPORT - LAYOUT AND CONTENTS

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1983 Annual Report

Production Schedule

Preliminary Production Schedule  
1983 Annual Report

DATE		ACTION
Tues 30 Aug		Finalize Copy/Text
Wed 31 Aug		Final Photo Selection
		Financial Charts
	New York Leave Tam	Finalize "Comp" Layout from Designer
Thurs 1 Sept	W.C.H.	Begin Typesetting Tramiel
Wed 7 Sept		Receive Galleys/Make Corrections
Thurs 8 Sept		Final Galleys to Designer
Thurs 15 Sept		Final Mechanicals
Tues 20 Sept		Proof From Printer
Wed 21 Sept		Start Printing
Mon 2 Oct		First Printed Samples
Fri 6 Oct		Printed Quantity

St.  
Gould, Greenberg.  
+Tramiel.







Corporate Statement	Financial Highlights
Contents	3 CHARTS

INSIDE COVER

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SHAREHOLDER LETTER	<u>CONTD</u>
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(HISTORY) OUR FIRST QUARTER CENTURY...	MEANING OF VERTICAL INTEGRATION
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<u>CONTD</u>	<u>CONTD</u>
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COMMODORE SOFTWARE	<u>CONTD</u>
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INTERNATIONAL MARKETING	<u>CONTD</u>
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SALES AND DISTRIBUTION (map)	FINANCIAL REPORT (CONTENTS)
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**FINANCIAL HIGHLIGHTS**  
(000s omitted, except per share amounts)

Year Ended 30 June	1983	1982	1981	% Change 1983 vs 1982
Net Sales	\$ 681,200	\$ 304,500	\$ 186,500	+124%
Gross Profit Margin	47.1%	47.8%	44.4%	
Pre-tax Margin	16.6%	16.7%	16.5%	
Net Income (1)	\$ 88,000	\$ 40,600	\$ 24,900	+117%
Shareholders' Equity	\$ 190,700	\$ 105,900	\$ 61,600	+80%
Earnings Per Share (1) (2)	\$ 2.86	\$ 1.32	\$ .81	+117%
Average Shares Outstanding (2)	30,809	30,800	30,920	

**Quarterly Earnings Per Share (1) (2)**

1st Quarter (30 September)	\$ .44	\$ .24	\$ .15
2nd Quarter (31 December )	.74	.30	.19
3rd Quarter (31 March )	.81	.35	.22
4th Quarter (30 June )	.87	.43	.25
Total	\$ 2.86	\$ 1.32	\$ .81

(1) Excludes extraordinary items.

(2) Share data adjusted for all stock splits.





## 1983 FINANCIAL REPORT

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LETTER TO  
SHAREHOLDERS





176 lines  
- 6 = 50

TO OUR SHAREHOLDERS:

~~It is significant that Commodore achieved record results in a year when many microcomputer companies faltered. The reason is simple: Commodore is the only vertically-integrated company whose primary business is microcomputers.~~

Vertical integration gives us the depth and balance essential to our marketing goal, which is to design and manufacture microcomputer products "for the masses, not the classes." This means manufacturing in high volume and passing the reduced costs on to our customers. Developed and refined over a quarter century of enterprise small and large, this is uniquely the Commodore Philosophy. The results speak for themselves.

~~Another Record Year~~

The fiscal year ended June 30, 1983 was our sixth consecutive record year.

Sales for the year reached \$681,179,000, an increase of 127% over fiscal 1982 revenues of \$304,508. Net income before extraordinary item rose 117% to \$88,040,000 compared to last year's record profits before extraordinary items of \$40,626,000. On a per share basis, this is equivalent to \$2.86 a share, versus \$1.32 in fiscal 1982. All results have been restated to reflect the 2 for 1 stock split which

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occurred in May, 1983.

### Computer Systems Sales

This year, Commodore became the world's leading microcomputer company, with a larger installed base of microcomputers and owner/population than any other manufacturer. We're proud to be in the leadership position.

Worldwide, fiscal 1983 microcomputer sales rose to a record \$ \_\_\_\_\_ or \_\_\_\_% higher than last year's \$228,200,000.

Microcomputer systems accounted for \_\_\_\_% of overall Commodore sales, compared to 75% in fiscal 1982 and 71% in fiscal 1981. \_\_\_\_% of microcomputer sales came from the major United States market, with the remaining \_\_\_\_% coming from Europe and other non-U.S. markets.

We attribute most of this growth to continuing and accelerating strength in Commodore's complete microcomputer product line, including extremely strong demand for the Commodore 64 personal computer in the United States and Canada, Europe, and Southeast Asia/Australia.



**Semiconductor Operations**

As we predicted in last year's annual report, Commodore's semiconductor resources were used primarily in our own microcomputers, peripherals and software cartridges during fiscal 1983.

To keep pace with the continuing demand for Commodore microcomputer products, we doubled our semiconductor production capacity and expect to double capacity again in fiscal 1984. Monthly production capacity of silicon wafers has been increased to \_\_\_\_\_ from \_\_\_\_\_ last year.

It is estimated that Commodore's semiconductor division is now the fifth largest captive semiconductor operation in our industry.

**Office Equipment**

Office equipment and other consumer products contributed \$\_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_% of Commodore's fiscal 1983 revenues, compared to \$16,500,000 in fiscal 1982. Commodore's Office Products Division continues to be the leading office equipment manufacturer in Canada. The division produces a variety of products including housings for Commodore computers and affordable computer furniture.





## Commodore Software

In 1983 we made the decision to become actively involved in the software marketplace. Our goal is to develop and license high quality software for our microcomputer systems, within the structure of a formal profit center. In June 1983, we announced more than 70 new products for the COMMODORE 64 and VIC-20 computers. We believe our increased software emphasis will ensure balanced growth in the coming years.

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## Positioning for Growth

This year we took a variety of important steps to position ourselves for growth in fiscal 1984 and beyond.

33

Here are just a few examples: We expanded our manufacturing centers in the United States and established new manufacturing facilities in Hong Kong, the United Kingdom and Canada. We increased total worldwide manufacturing capacity from \_\_\_\_\_ square feet to \_\_\_\_\_ square feet. We negotiated a joint venture with Mitsumi Electric Company in Japan to design and produce floppy disk drives. We increased semiconductor wafer capacity from \_\_\_\_\_ to \_\_\_\_\_ per month. We acquired dynamic RAM technology from Micron Technology, Inc. to help further integrate our semiconductor manufacturing. We licensed the 28000 16-bit microprocessor from Zilog for use in future



generations of computers. We licensed the MS/DOS operating system from Microsoft, Inc. and the CP/M, CP/M 86 and CCP/M operating systems from Digital Research. And more.

#### Continuing the Commodore Philosophy in 1984

It is significant that our 25th year in business was devoted to preparation for the future. The computer industry continues to grow and change rapidly -- as it always has. We believe that Commodore is properly positioned to exploit the opportunity, both at hand, and on the horizon. Commodore has succeeded because we encourage entrepreneurs to join the company and develop their ideas. We undertake research in many parts of the world, simultaneously. We pride ourselves on our ability to cut costs -- treating company budgets as if "every penny were our own", keeping our staffing lean and our managers close to operations so decisions can be made quickly, eliminating red tape and bureaucracy so we can "turn on a dime" as our industry demands...while at the same time building a solid structure and foundation to support our growing worldwide organization.

We invite you to share in our progress.





OUR FIRST  
QUARTER CENTURY



COMING SOON





MEANING OF  
VERT. INTEGRATION



**...THE MEANING OF VERTICAL INTEGRATION****The Past**

*New 1pg section coming!*

In 1975 Commodore was one of the leading manufacturer/distributors of digital electronic calculators. That year, the major supplier of calculator chips went into competition against its own customers -- including Commodore -- and the cost of calculator chips plummeted from \$12 each to less than \$1.

Commodore was left standing with over \$6 million of overpriced inventory.

The lesson was clear. Vertically-integrated companies win marketing wars. Non-integrated companies can't react quickly enough to changes in pricing and marketing trends.

By the end of 1975, Commodore acquired Optical Diodes, Inc., which had been the company's principal supplier of Light Emitting Diodes (LED's) used in calculator and digital watch displays. In 1976, a Liquid Crystal Display (LCD) facility was added, with LCD's eventually overtaking and replacing LED's as the principal technology used in watches and calculators.

In 1976, Commodore purchased MOS Technology, a struggling manufacturer of semiconductor devices whose





products included the 6502 microprocessor, and used the 6502 to design the first self-contained personal computer: the PET (Personal Electronic Transactor) and in 1977 we purchased Frontier Manufacturing Corporation to produce low-power C-MOS chips used in LCD calculators and watches.

By 1977, Jack Tramiel wrote in the Annual Report: "...we are graduate survivors; we have survived and made money where other, often better-financed, companies have fallen by the wayside. Today we are a profitable and growing company."

### The Present

Today, Commodore is the leading manufacturer of microcomputers in the world. Our business has kept pace with the evolution of technology as our primary product lines changed from typewriters and adding machines, to calculators and watches, to computers and peripherals.

We have made tremendous progress in the past half-decade, but our vertical integration is not complete. The process of integrating new technologies and manufacturing capabilities is a continuing effort which is dictated by the world manufacturing environment, and the world marketplace.

As one example, we added a 64K RAM manufacturing capability at our Costa Mesa semiconductor plant, in response to a developing shortage of RAMs. This will help ensure our



source of supply in the coming years.

Another example is our joint venture with Mitsumi Electric Company in Japan, which will give us the capability of producing our own disk drives in large quantities at low costs so we can reach our eventual goal of selling a disk drive with every computer, and keep pace with new developments in disk storage technology.

Our existing vertical operations continue to evolve as well. Just as we moved from LED displays to LCD displays, we are graduating from NMOS semiconductor technology to HMOS; resulting in more economical chip production, higher yields per wafer, lower component counts in current products, and more powerful chips to drive future generations of computers.

The lessons, benefits, and results of vertical integration continue to strengthen our company.



RESEARCH &  
DEVELOPMENT





**RESEARCH AND DEVELOPMENT** 32

Commodore's investment in research and development rose to \$  
\_\_\_\_ or \_\_\_\_ % of sales, from \$17.9 million or 5.9% of sales  
in Fiscal 1982 and \$8.4 million or 4.5% of sales in 1981.

These expenditures provide the basis for Commodore's  
growth as a technology leader in the microcomputer industry,  
and allow us to take maximum advantage of the various  
technologies -- semiconductors, computer systems, liquid  
crystal displays -- which exist within our company.

Commodore's decentralized research organization promotes  
the development of individual projects in many centers around  
the world, where the best minds in our industry are  
encouraged to work -- often simultaneously -- on parallel  
projects. The ability to develop new and innovative  
semiconductor devices at the same time the computer systems  
are being designed reduces not only development costs, but  
also the time it takes to complete and introduce a product --  
crucial factors in our industry.

**Semiconductor Chip Design** 40

Major research was undertaken in fiscal 1983 to develop a new  
family of "HMOS" chips which provide higher density, tighter  
geometry chips.



The HMOS process is a higher yielding manufacturing process which provides improved functional density on each "wafer" of silicon. This allows us to manufacture more chips per "wafer", with resulting increases in production, and cost economies. The new chips are also designed to reduce the overall component count of computer systems, by up to half their previous number.

Specifically, chips designed during Fiscal 1983 include:

- 7360 graphics display chip
- 7380 sound chip
- 7501 microprocessor (variation of 6502)
- 7567 color video controller
- 7700 PLA
- 7704 composite I/O
- 7701/02 clock/PLA chips

*Replace with 1  
sentence for each  
item*

These new chip designs, coupled with recent increases in memory density, will allow Commodore to produce new generations of computers which will provide more computing power at less cost.

### Operating Systems Software

During the past year, much attention was devoted to



providing MS/DOS (tm), CP/M (tm), Concurrent CP/M 86 (tm) and CP/M 86 operating systems on our computers...primarily for the "B" Series. These operating systems coupled with an 8088 microprocessor board allows the user of "industry standard" applications software packages such as WORDSTAR (tm), CALCSTAR (tm) and MAILMERGE (tm). We also designed and are now selling a CP/M (tm) cartridge for use with the COMMODORE 64.

#### **Research Becoming Products**

Many of the developments which were research projects last year became products in 1983. The "B" Series business computer is one example. The SX-64 color portable computer is another. Several new printers have been introduced, including the MPP-1361 business printer, 1526 serial printer and 6400 letter quality printer. The 1701/1702 color monitor was especially designed for use with Commodore home computers, to provide the best possible picture with our computers. The Speech Technology Division has completed its first speech product, a speech synthesis module called "The Magic Voice (tm)".

*2001/1702*





**Under Development**

We are currently developing a system which will use the 16-bit Z8000 microprocessor chip licensed from Zilog. We're also in final engineering on our piano keyboard and "Digi-Drum (tm)" digital electronic drum accessory (for the COMMODORE 64).

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MANUFACTURING



92 lines  
13-31**MANUFACTURING**

Commodore reduces production costs by concentrating labor-intensive production in low labor cost countries. Final assembly and test occurs in geographic market centers where the products are sold and distributed, allowing us to tailor the products to the requirements of each market.

Commodore's primary manufacturing center is located in Hong Kong, where we employ more than 1,000 people to handle highly technical labor-intensive operations. Final assembly of microcomputer products is provided at manufacturing facilities located throughout the world. Specific locations are shown on the map on Page 16.

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**Expanding to Meet Demand**

This year, Commodore's vertical integration helped minimize the effects of worldwide parts shortages caused by an increased demand for microcomputer systems, a by-product of the strong general economic recovery.

To keep up with our rising internal demand for components, we doubled our semiconductor production for the second consecutive year.

We achieved high volume production of microcomputer components in Costa Mesa, spurred by output from the

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ultra-modern 5-inch wafer processing plant constructed in Fiscal 1982. Semiconductor volume at both Costa Mesa and Valley Forge will continue to grow during FY 1984 due to new chip and wafer designs, higher efficiency and increased production capacity.

Most significant, we have acquired important new technology which enables us for the first time to manufacture 64K dynamic RAM (Random Access Memory) devices. Our agreement with Micron Technology, Inc. of Boise, Idaho enables us to begin limited RAM production at our Costa Mesa facility in the second fiscal quarter, with high volume expected during the third and fourth quarters.

In keeping with a "systems approach" to the marketplace, we have increased our ability to produce in volume such peripherals as disk drives, printers and Datassettes. Especially important is our joint venture with Mitsumi in Japan, which provides for the manufacture of 5 1/4 inch and 3 1/2 inch floppy disk drives in the future.

This year, we will also receive significant cost savings by centralizing our software packaging in Hong Kong. Individual countries will handle pilot production only. Translating these lower costs into lower prices gives us an important competitive edge.



**Facilities Expansion**

To increase our capacity to manufacture both hardware and software, we have undertaken the following major expansion activities:

To increase our manufacturing capacity, we have undertaken the following expansion activities:

- Purchased a new 210,000 square foot plant in (the "Kwai Chung Center") in Hong Kong, which will more than double our production capability during FY 1984.
- Occupied a new 575,000 square foot combined administrative, plant and warehouse facility in West Chester, Pennsylvania.
- Initiated design and construction of a major manufacturing and warehousing complex in Corby, England, which will be operational by the end of Fiscal 1984.

These facilities enable us to meet increased demand for our products, now and in the future.



A SYSTEMS  
APPROACH

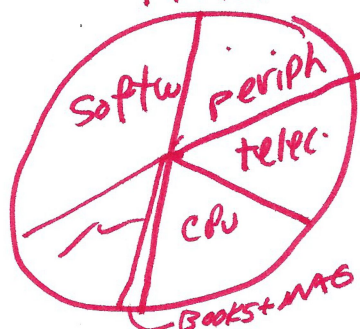




182 Lines  
19 = 21 16 = 36  
1983 Annual Report

% OF  
SALES  
FY1983

PG5-7 A Systems Approach  
PROJECTED FY84



## A SYSTEMS APPROACH

Peripherals, software and accessories accounted for approximately XX% of total sales in Fiscal 1983. We believe we've only scratched the surface and have launched a major expansion effort in these areas.

The opportunity is clear. We've successfully established a large installed base of computers which continues to expand. The price/performance of our peripherals is unmatched in our industry. We have a strong new software product line. And we are committed to selling systems to new customers as well as aftermarket purchasers in all market categories: home and personal, education and business.

## **Affordable Home Computer Systems**

Commodore computers are in more homes than any other brand. More than 1 million VIC-20's have been sold, and the COMMODORE 64 is rapidly moving toward that level.

In fiscal 1983, most people who purchased home computers thought of the computer as a stand-alone console coupled with an inexpensive tape recorder for storing and retrieving programs. VIC-20 and COMMODORE 64 owners listed their



primary computing interests as entertainment and learning how to program. Our best-selling software included games like Bally Midway's "GORF" and "OMEGA RACE" and self-teaching courses in BASIC programming like INTRODUCTION TO BASIC and GORTEK.

By the end of fiscal 1983, the price of a VIC-20 or COMMODORE 64 computer system -- computer, disk drive or cassette recorder, printer, modem and software -- had fallen to under \$1000 (U.S.). For the first time in history, average consumers could afford to purchase a complete computer system.

The affordability of home systems has opened the door to more practical applications -- wordprocessing, electronic spreadsheets, budgeting, home business and more. Home computers are becoming more useful, and Commodore is helping to make it happen.

### **Educational Systems**

It is estimated that more Commodore computers are used worldwide for educational purposes than any other microcomputers.

In the United States, the United Kingdom and Canada, Commodore has been a leader in educational computing for more than half a decade. In many countries, Commodore computers



are preferred systems...in West Germany, for example, Commodore microcomputers now represent more than 80% of all microcomputers used in schools.

This year, we started selling the PET 64 -- a black and white version of the COMMODORE 64 in a self-contained housing. We also successfully tested a low-cost networking system which can tie together all types of Commodore computers including the PET, VIC-20 and COMMODORE 64. The networking system lowers the cost of networking to less than \$50 per computer. This innovation will help increase sales of multiple systems to educational institutions.

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### Business Systems

Business computing represents one of Commodore's most promising expansion opportunities. We believe competitively-priced business microcomputers can be mass marketed and made as attractive and "friendly" as home computers -- but with the professional in mind.

Our new entry in the business marketplace -- the Commodore "B" Series computer system -- has been completed and is being sold in Europe and North America. The low-cost 128K version features an 80 column screen, an optional 16-bit microprocessor and a 96-key professional level keyboard. This powerful business microcomputer is being offered at





prices comparable to or below many personal computers.

To provide high capacity disk storage required in the business environment, our 9000-series Hard Disk and CBM8250 2 Megabyte floppy disk drive were introduced for sale this year, along with our new Model 6400 letter quality printer. 30

### Portable Computing

One approach to selling microcomputer systems is portable computing. Portable computing is becoming very popular among executives, students and others who like to transport and use their computers in different locations. Commodore has entered the portable marketplace with our SX-64, the first affordable color portable computer. It is compatible with the COMMODORE 64 and has a built-in single disk drive and 5-inch color monitor. 14

### Compatible Peripherals

We make two types of peripherals which are interchangeable with our various computers. "Serial" type peripherals such as the 1541 disk drive work with both the VIC-20 and COMMODORE 64. "IEEE-488" peripherals include business peripherals such as letter quality printers, dual floppy disk drives and hard disk drives, for use with our CBM and "B"





### Series computers.

Compatibility of VIC-20 and COMMODORE 64 peripherals was intentional, so mass merchants, distributors and retailers could stock the same peripherals for both of our home computers...and so VIC-20 owners would be more inclined to trade up to a COMMODORE 64 if they had already purchased VIC-20 peripherals.

A very popular Commodore peripheral is the Commodore DATASSETTE (tm), which allows new computer owners to play inexpensive pre-packaged programs on tape, or save/retrieve their own programs on ordinary audio cassettes. This year we improved the design of the DATASSETTE.

### Telecommunications

Commodore was the first microcomputer manufacturer to introduce a telephone modem priced under \$300. The VICMODEM(tm) consists of a plug-in cartridge which works with either the VIC-20 or COMMODORE 64 and is popular in North America where users take advantage of free subscriptions enclosed with the modem for the CompuServe (tm) and Dow Jones (tm) information services. A "Commodore Information Network" featuring news, programming tips and a "hotline" is maintained by Commodore, much like an electronic magazine, and Commodore computer owners can "talk" to each other long



distance via their computer, or leave "electronic mail" messages.

This year, Commodore introduced a low-priced auto-dial/auto-answer modem called AUTOMODEM (tm) for the COMMODORE 64 and VIC-20. 26

### Market Strategy

Our strategy continues to unfold -- which is, to continue our leadership role in the microcomputer industry, not only in the home computing market, but in business and education as well, and in new microcomputer markets as they evolve. 4









**COMMODORE SOFTWARE**

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In keeping with our strategy to sell complete computer systems -- including software -- we have extended our vertical integration into the software business. Our existing software activities around the world are being strengthened and software is treated as a major business of our company.

**A New Software Division**

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As the vanguard of this new business, we established a Commodore Software Division in West Chester, Pennsylvania in April 1983. This division supplements the activities of existing Commodore software groups outside the United States and is also tasked with providing a nucleus of software for new Commodore computers and peripherals, as they are introduced.

**Nucleus Software**

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The "Nucleus Software" we intend to provide includes the key software needed to support a particular computer system. For example, the three types of software which every computer owner should have includes a wordprocessor, electronic spreadsheet and database. For a business computer the



wordprocessing and business accounting software in the \$50 price range. To make this possible, the company has transferred volume software production from individual market centers to our manufacturing facilities in Hong Kong. We are also working with vendors and developers to obtain maximum economies of scale.

#### MAGIC DESK - Next Generation of Software

One of the most impressive developments of the year was our proprietary "MAGIC DESK" software. This unique software is based on pictorial commands, with no language commands whatsoever. Using a joystick, the user moves a pointing finger to the picture of a feature, such as a typewriter, then presses the "action" button. After typing a page on the computer keyboard, the user can save the page in a "file cabinet" which is automatically linked to the software, or print the page on paper using a Commodore printer. If questions arise, built-in "help menus" explain the procedure in detail. More MAGIC DESK products are under development and it is expected that this will be a highly popular series.

#### Commercial Book Products

We consider computer book products to be a form of software, and are expanding this product line to take advantage of the



strong aftermarket potential. Our popular VIC-20 and COMMODORE 64 PROGRAMMERS REFERENCE GUIDES -- developed at Commodore -- have been listed as "best-sellers", along with our programming tutorials like GORTEK and INTRODUCTION TO BASIC. During the coming year, we will introduce additional commercial books and tutorials, including several self-teaching products for the COMMODORE 64 and a 4-book set for the VIC-20.



*Cut down.*

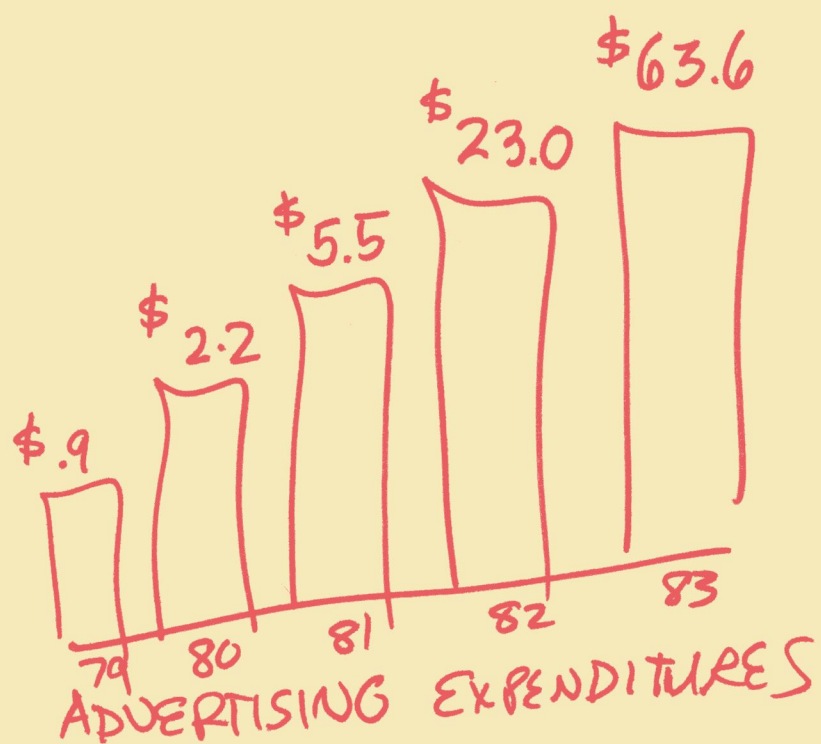
## NEW COMMODORE 64 SOFTWARE

Origin	Title/Description	Category
<b>BUSINESS</b>		
Canada	THE MANAGER	Productivity
Sweden	EASYCALC 64 - Electronic Spreadsheet	Productivity
U.K.	EASYSRIPT 64 - Wordprocessor	Productivity
U.K.	EASYSPELL 64 - 20,000 word spelling checker	Productivity
U.S.	MAGIC DESK I - Type and File	Productivity
U.S.	WORD/NAME MACHINE - Simple wordprocessor	Productivity
U.S.	EASYFINANCE I - Loans	Productivity
U.S.	EASYFINANCE II - Business Management	Productivity
U.S.	EASYFINANCE III - Investments	Productivity
U.S.	EASYFINANCE IV - Advanced Investments	Productivity
U.S.	EASYFINANCE V - Statistics	Productivity
<b>EDUCATION</b>		
U.S.	GENERAL LEDGER	Business
U.S.	ACCOUNTS RECEIVABLE/BILLING	Business
U.S.	ACCOUNTS PAYABLE/CHECKWRITING	Business
U.S.	PAYROLL	Business
U.S.	INVENTORY MANAGEMENT	Business
U.S.	MUSIC COMPOSER	Recreation
Canada	MUSIC MAKER	Recreation
Japan	AVENGER	Recreation
<b>RECREATION</b>		
U.S.	BLUEPRINT	Recreation
Japan	CLOWNS	Recreation
U.S.	GOLF (talking game)	Recreation
Japan	JUPITER LANDER	Recreation
Japan	KICKMAN (Bally-Midway)	Recreation
U.S.	LAZARIAN (Bally-Midway)	Recreation
U.S.	LEMANS	Recreation
U.S.	OMEGA RACE (Bally-Midway)	Recreation
U.S.	PINBALL SPECTACULAR	Recreation
U.S.	SEAWOLF (Bally-Midway)	Recreation
<b>PROG AMIDS</b>		
Japan	SPEED/BINGO MATH (Bally-Midway)	Recreation
U.S.	STAR RANGER	Recreation
U.S.	STAR POST	Recreation
U.S.	TOOTH INVADERS	Recreation
U.S.	WIZARD OF WOR (talking game)	Recreation
U.S.	ZORK I (Infocom)	Recreation
U.S.	ZORK II (Infocom)	Recreation
U.S.	ZORK III (Infocom)	Recreation
U.S.	DEADLINE (Infocom)	Recreation
U.S.	STARCROSS (Infocom)	Recreation
U.S.	SUSPENDED (Infocom)	Recreation
U.S.	LOGO	Education
U.S.	PILOT	Education
U.S.	NUMBER NABBER/SHAPE GRABBER	Education
U.S.	VISIBLE SOLAR SYSTEM	Education
Canada	WATERLCO BASIC	Education
Canada	27 PUBLIC DOMAIN PRODUCTS (over 600 programs)	Education
U.S.	SUPEREXPANDER 64	Programming
U.K.	SIMON'S BASIC	Programming









*116 total  
25 34***INTERNATIONAL MARKETING***34*

No other microcomputer company has had the international marketing success achieved by Commodore.

Industry sources now rank Commodore as the number 1 personal computer company, with an estimated 37.9% share of the world market in units and 43% of sales for computers priced under \$1,000.

For computers priced in the \$1,000-\$5,000 range we are ranked fourth in market share (8.7% of units) -- with our new "B" Series just beginning to enter the market.

The key to our success in marketing to customers and dealers in over 50 countries lies in our emphasis on geographic marketing centers. Each major world market has either a Commodore sales company or distributor to serve it, staffed by talented people who understand the special needs of their cultural environment.

In addition to sales and marketing, we maintain software development, research, warehousing and distribution in each market center so we can better serve the linguistic, technical and cultural needs of the geographic area.

**Record Advertising in 1983***10*

Commodore spent more money for advertising in fiscal 1983 than in all previous 24 years combined. The worldwide



advertising budget was \$\_\_\_ million, compared to \$\_\_\_ million in the previous year.

This expenditure contributed to the dramatic increase in Commodore "brand recognition" -- and sales -- in all major markets.

### Getting the Message Across

The messages we spent to promote were clever, competitive, and creative:

In the United States, where the bulk of our advertising was concentrated, we asked the question: "Why Buy Just A Game Machine When You Can Get A True Computer For The Same Price?"

We urged customers to forsake video game machines and buy the "Commodore VIC-20 -- A Real Computer For the Price of a Toy."

The COMMODORE 64 was compared to other popular microcomputers...with an interesting twist. An ironic voice announced that based on price/performance, other computers such as Apple and IBM recommended the COMMODORE 64.

In Canada, we sang, "I Adore My 64" and families read about the VIC-20 on the back of over 3 million cereal boxes.

In West Germany, where the VIC-20 is called the "Volks Computer" (VC-20)

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In the United Kingdom \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

**Commodore Magazines Read By 1 Million Readers**

12

During the past year, Commodore became a leading publisher of computer magazines. We now publish XX magazines worldwide with monthly circulation exceeding a half million readers. These magazines provide news, product announcements, programming tips and commentary which helps us keep the communication channels open to our growing aftermarket of Commodore computer owners.





## Shows and Exhibitions

Commodore was an active participant in the major international computer shows, which we've been attending since we introduced the PET in 1976.

At Hanover Fair in Hanover, West Germany -- the largest industrial exposition in the world -- we received a design award for the "B" Series business computer system.

At the June Consumer Electronics Show in Chicago -- we received 4 awards for COMMODORE 64 software selected for the CES Software Exhibition.

In the United Kingdom, the annual Commodore Computer Show (largest Commodore product exhibition in the world), drew a record number of attendees and had more exhibitors showing Commodore software and accessories than ever before.

## What's In A Name?

When we named our 64K color computer the "COMMODORE 64" it was the first time we used the Commodore name as a product name. The resulting brand recognition was so strong that we will be using the COMMODORE designation in future home computers, as well. We also named our new pictorial-command software series the "Magic Desk" and extended the "magic" name to our speech module, which is called the "Magic Voice"



and will be introducing a Commodore-written book called "The VIC Magician" based on a series of magazine articles.

### Thinking International

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Marketing ideas and approaches vary from country to country. Our success comes from "thinking" international. In Europe we're European. In Japan we're Japanese. In America we're American. In Hong Kong we're Chinese...and so on.

The depth and involvement of our activity in each country makes Commodore truly international, because we "think" and do business in the local languages and cultures of the customers we serve.



SALES AND  
DISTRIBUTION



76 TOTAL  
cut to 38

32

## WORLDWIDE DISTRIBUTION

One of Commodore's principal strengths is its worldwide retail distribution. Commodore started selling home computer systems through mass merchandising channels in 1982...since then, the number of outlets carrying Commodore computers rose from less than 3,000 in 1981 to nearly 30,000 by the end of fiscal 1983.

Commodore products are now distributed in more than \_\_ countries.

Breaking open the mass distribution for home computers is one of Commodore's most salient achievements. Within 18 months, Commodore placed its VIC-20 and COMMODORE 64 home computers in discount stores, department stores, toy stores, music stores, audio/video outlets, catalog showrooms, bookstores, mail order catalogs and more. This aggressive penetration of the mass merchandising distribution channel is credited with turning home computers from hobbyist machines into "electronic appliances".

Specific locations of Commodore companies, manufacturing facilities and distributors are shown on the accompanying map.





**International Expansion**

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In the United States, Commodore expanded its distribution from 8,000 outlets to nearly 20,000. U.S. distribution includes such well-known mass merchants as K-Mart, Target, J.C. Penney, Sears, Toys'R'Us, Child World, and Service Merchandise.

In the United Kingdom, Commodore computers are sold in such prestigious store chains as Boots and \_\_\_\_\_.

In Canada, Commodore computers outsold the competition in chains such as \_\_\_\_\_ and \_\_\_\_\_.

In Germany, the number of outlets carrying Commodore computers was extended from 500 to 6,000 during fiscal 1983.

During the past year, the number of dealers in Australia/Asia and the Pacific Basin grew to over 800 dealers, with distributors established in all major countries in East and Southeast Asia including: China, Taiwan, South Korea, Hong Kong, Thailand, Singapore, Malaysia, the Phillippines, Indonesia, New Zealand.

Additionally, Commodore entered negotiations to acquire 100% of a former joine venture in Denmark, Norway and Holland, and targeted the Benelux coountries for a major expansion effort. We also entered new markets such as Italy where we turned a profit in our first sales year.

Our penetration of the world marketplace continues, in keeping with Commodore's multinational orientation.



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